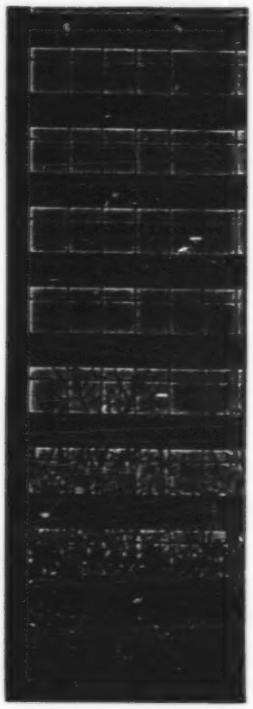
Ontario

Teachers' Superannuation Commission
Commission du régime de retraite des enseignants

ON THE MOVE



ANNUAL REPORT
1987

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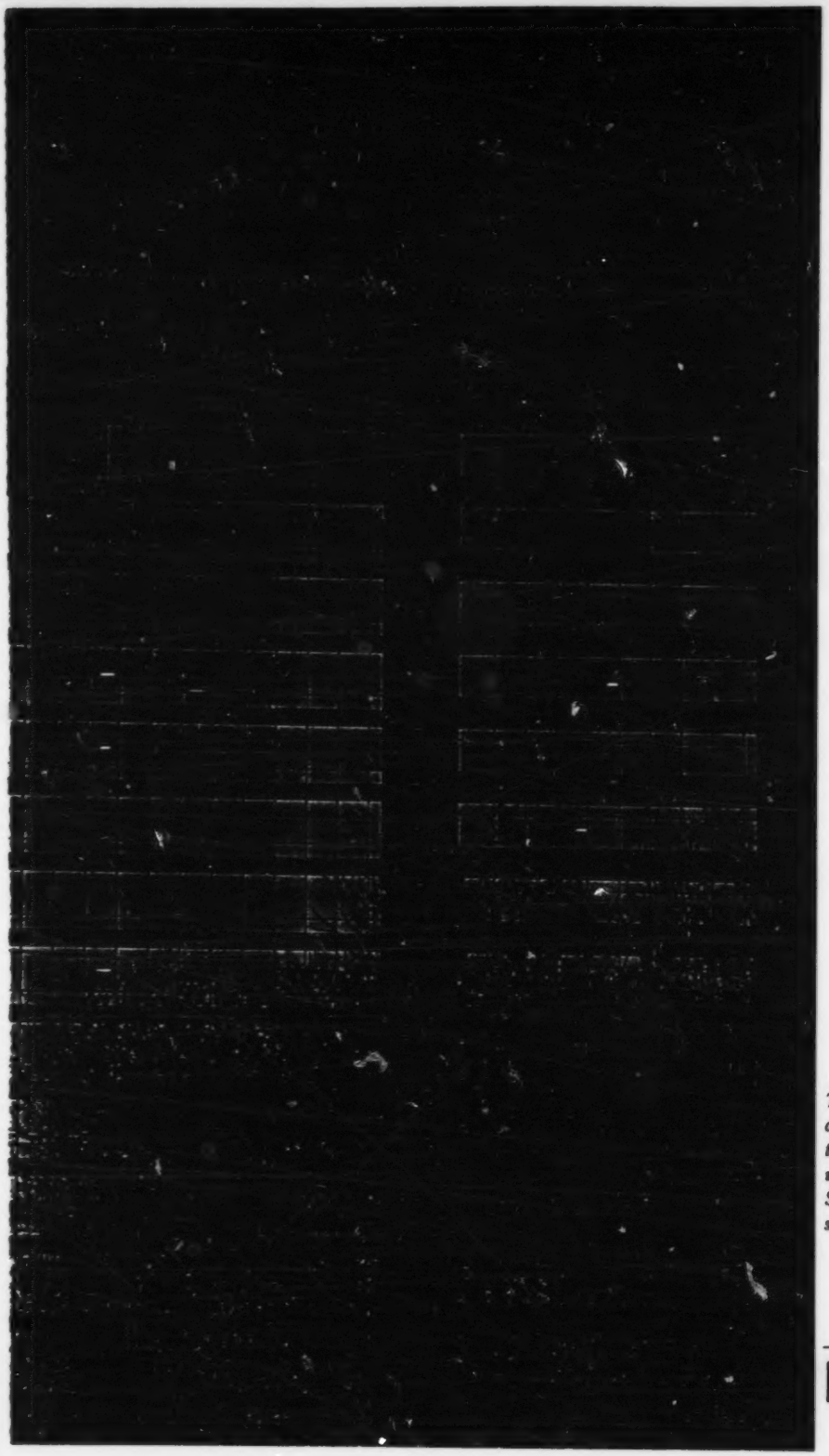

The accessible and spacious offices at the Xerox Tower of the North American Life Centre will help the Teachers' Superannuation Commission serve you better.

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CHAIRMAN'S REPORT

In 1987, the Teachers' Superannuation Commission celebrated its 70th birthday – but it didn't just get older, it got better.

The Ontario Teachers' Superannuation Fund provides the basic pensions for Ontario teachers. It is the third largest pension fund in Canada. Not only are its assets of $11.65 billion on 31 December 1987 substantial, but the Fund is more than healthy. As of 31 December 1986, an actuarial valuation indicated that the Fund had a surplus of $461 million.

In February 1988, the Provincial Government released a report by Laurence Coward recommending that the Superannuation Adjustment Fund, the fund which provides the escalation benefit, be amalgamated into the Teachers' Superannuation Fund.

A second report released in February, by Malcolm Rowan, proposes that the assets of the Teachers' Superannuation Fund be gradually placed in market investments.

A decision on these recommendations will be made by the Provincial Government after consultation with all interested parties.

The Commission's mandate, in law, is to administer the Act and to advise the Government when conflicts with other laws emerge.

In December 1987, the Pension Benefits Act, 1987 was proclaimed to be effective 1 January 1988. The Act sets a minimum standard with which all Ontario pension plans must comply. It affects contributions and pension benefits commencing 1 January 1987. It also dramatically reduces vesting and "lock-in" limits, while dramatically increasing interest rates on refunds and transfer values for those who leave the plan.

Whenever the Teachers' Superannuation Act is amended (it has been frequently amended in the last five years), contributors' entitlements change and the demand for information increases. To meet the demand, the Commission has expanded its staff and has moved to a new location as of 29 February 1988.

The new site has been equipped with state-of-the-art telecommunications and computing technology. The Toronto phone number is still the same, but new WATS lines are now open to callers.

It is expected that in its new location with its expanded staff, the Commission will be able to meet the demands of contributors, including the administration of future amendments to our Act arrived at through discussions between the Ontario Teachers' Federation and the Government.

While the Commission's mandate does not give it the license to be compassionate, I have never known an organization that assesses all its possibilities with so much consideration and compassion. A final "no" from the Commission usually means that a change in legislation is needed.

I would like to take this opportunity to thank my fellow Commissioners and the staff of the Commission for their concerted effort in doing all that is possible in what is proving to be as demanding as expanding the school systems in the 1950's and 1960's, namely, retiring the thousands of us who began teaching back then.

Sal Pengelley

Sal Pengelley
Chairman
(Elected as Commissioner by the Teachers, elected as Chairman by fellow-elected Teacher Commissioners)

1987, A Year Of Growth And Change...

In 1987, the Teachers' Superannuation Commission was on the move...to administer the Teachers' Superannuation Fund...to stay on top of legislative changes...to inform contributors and pensioners about their pension plan...to respond to participants' needs... to prepare for the 1988 move to the new location at 5650 Yonge Street.

Although $476 million was paid out in retirement benefits to pensioners in 1987, over four times that amount was returned to the Fund through contributions, interest and subsidies. This brought the excess of revenues over expenditures to $1,477 million and the book value of total net assets to $11,651 million.

The Fund has grown into the largest public sector pension fund in Ontario and the third largest pension fund in Canada. In fact, since 1965, the book value of assets has increased by over 25 times, the number of active plan members has increased by over one half, the number of pensioners has increased by over four times and the annual pension benefits paid have increased by over 26 times.

1987 saw the Commission grow in more ways than one. To accommodate changes to legislation and the increase in the number of retirees and plan contributors, the administrative organization of the Commission was expanded.

Changes to Pension Legislation

Because 1987 was a busy year at Queen's Park, the Commission had to keep pace with changes made to legislation affecting teachers' pensions.

C. Peter Honey
(Appointed by the Minister)

Susan Hildreth
Federation of Women Teachers' Association of Ontario
(Elected by the Teachers)

Given Royal Assent on 29 June 1987 and effective 1 January 1988, the Pension Benefits Act, 1987 (PBA, 1987) reformed the private and public pensions of some 1.8 million people in Ontario.

Subsequent to the passage of the PBA, 1987, various internal Commission work groups were formed to determine how the Teachers' Superannuation Fund would be affected. It is expected that the PBA, 1987 will have a dramatic impact on the Teachers' Superannuation Commission.

Low pension Regulation 156/87, passed by the Ontario Government on April 1, provided increases and a degree of inflation protection to over 3,000 pensioners receiving low pensions from the Teachers' Superannuation Fund.

Those affected were teachers with low paying salaries who retired before 1975 when regular inflation protection provisions were put in place by the government.

Changes made to the Education Act, the Family Law Act and the Income Tax Act also affect the Teachers' Superannuation Act. These pieces of legislation need, therefore, to be taken into consideration when interpreting the Teachers' Superannuation Act.

More Retirements Expected

The Commission has determined that most of the pension enquiries it receives come from contributors nearing the age of retirement. With a growing elderly population, it is expected that the number of those enquiries will increase.

Helen Salisbury
(Appointed by the Minister)

Leon Vigneault
L'Association des enseignants franco-ontariens
(Elected by the Teachers)

The Commission tries to ensure that all contributors understand their pension plan. An open and accessible organization, it attempts to address all participants' concerns via telephone, mail, workshop and counselling sessions.

More Contributors to Retire Early

In the Spring of 1987, the Teachers' Superannuation Act, 1983 was amended to provide a "35 and out" option so that there are now two early retirement opportunities.

1. Until 31 August 1989:	**55-year-olds with 10 years of credit, and**
2. Until 31 August 1990:	**teachers at any age who have taught one or more days in each of 35 school years**

MAY RETIRE WITHOUT PENALTY

These two provisions will likely see a significant increase in the number of early retirements between the years 1986 and 1990.

Before these early retirement incentives were implemented, teachers could retire without reduction only if they were 65 or if their age plus years of service totalled at least 90.

David Kennedy
Director, School Business & Finance Branch
Ministry of Education
(Appointed by the Minister)

George Saranchuk
Ontario English Catholic Teachers' Association
(Elected by the Teachers)

Increase in the Number of Contributors

The number of active contributors to the Fund has increased dramatically throughout the years. In 1917, there were 13,000 contributors to the Fund. That number grew to 82,566 in 1965 and 133,181 in 1980. Today there are more than 141,000 active contributors to the Teachers' Superannuation Fund.

New Location

The growth in operations culminated in the Commission's move to the Xerox Tower of the North American Life Centre in Metropolitan Toronto. Pictured on the front cover of this Report, the new location is designed with service in mind.

It is easy to get to by bus, subway and highway 401. It offers improved office and computer facilities, more room for employees and better security for contributor and pensioner files.

With the move to the North American Life Centre comes an upgraded telephone system, an important link to contributors and pensioners. In 1987, the Commission received an average of 494 calls a day compared to 358 per day in 1985. Improvements to the system include an increased number of WATS lines to serve all regions of Ontario.

Kathy Bouey
Director, Intergovernmental Finance Policy Branch
Ministry of Treasury & Economics
(Appointed by the Minister)

Ronald E. Poste
Ontario Public School Teachers' Federation
(Elected by the Teachers)

Leasing instead of buying the new location gives the Commission the flexibility to rent more or less space as the size of its operations change. This can be done without incurring the added cost or inconvenience of moving.

By providing all of these services, the new location helps the Commission to serve all contributors and pensioners.

Striving to Communicate

Because of its work with teachers, the Commission realizes the importance of a good education. That is why the Commission strives to educate contributors and pensioners about the value of their pension plan.

The annual Personalized Pension Statements, Exchange bulletins, Annual Report and Highlights Folder produced by the Commission's Communications Department all serve to increase participants' awareness of their entitlements.

...ON THE MOVE

On the move to provide contributors and pensioners with solid service—a goal the Teachers' Superannuation Commission met with great success in 1987. By continuing to administer the Teachers' Superannuation Act with the same careful controls and solid administration, the Commission is confident that it can continue to meet the needs of all contributors and pensioners.

Peter W. Ferren
Director of Education
Welland County R.C.S.S. Board
(Appointed by the Minister)

DIRECTOR'S REPORT

D.F. McArthur
Director

The year 1987 was yet another of rapid growth and change at the Commission. The number of persons receiving a pension in 1987 climbed to 31,625, up from 29,237 in 1986 and up from 24,536 in 1983. That is over 25% growth in just four years.

As I write this report, the rate of retirement is rising even more rapidly, due to two early retirement opportunities. These are the "35 and out" feature, which expires at the end of August 1990 and the "early retirement window", which expires at the end of August 1989.

As well, teacher interest in purchasing optional credit remains unabated. In 1987, over 9,000 teachers contributed $5,876,000 to purchase optional credit in the Fund.

As a result of the increasing number of retiring teachers, the sustained high level of optional credit purchases and now the inception of the Pension Benefits Act, 1987, the Commission has felt compelled to increase the resources it allocates to the administration of the plan. This takes the form of the number of staff, and the equipment and space to allow the staff to function effectively.

In 1987, the Commission authorized the hiring of five additional counsellors, bringing the total to twelve. In addition, the Commission authorized an overall staff complement increase (including the five counsellors) of 22, bringing the total to 163, up from 109 in 1983. As these additional staff become more experienced, there will be improved service and reduced response times for contributors and pensioners.

For 1988, the Commission staff structure will be expanded to 208 and divided into two divisions. Mr. William G. Foster is named Division Director, Administration and Information Services, and Mr. Allan H. McKellar is named Division Director, Communications and Entitlements Division.

The current pressure on the Teachers' Superannuation Commission is like that on the school boards in the 1950's and 1960's. We are now experiencing a teacher-retiree explosion as a direct result of the student and teacher explosion 30 years ago.

The staff of the Teachers' Superannuation Commission remains committed to meeting the challenges of the late 1980's and ensuring the delivery to the contributors and pensioners of all the rights and opportunities which flow to them through the Teachers' Superannuation Act, 1983, and the Pension Benefits Act, 1987.

Ontario

OFFICE OF THE PROVINCIAL AUDITOR

Box 105, 15th Floor, 20 Dundas St. West
Toronto, Ontario M5G 2C2
(416) 974-9866

To the Members of the Teachers' Superannuation Commission
and to the Minister of Education.

I have examined the statements of net assets available for benefits and long term investments of the Teachers' Superannuation Fund as at December 31, 1987, and the statements of changes in net assets available for benefits and administration expenditures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies set out in the Summary of Significant Accounting Policies (note 2) to the financial statements applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Commission and to the Minister of Education.

J.F. Otterman

Toronto, Ontario
February 24, 1988

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor.

Teachers' Superannuation Fund

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

as at December 31, 1987
(in thousands)

	1987	1986
ASSETS		
Investments		
Province of Ontario debentures	$10,893,100	$ 9,469,100
Short term	65,647	79,098
	10,958,747	9,548,198
Receivable from Province of Ontario		
Matching contributions	266,025	249,895
Interest on matching contributions	43,761	45,389
	309,786	295,284
Receivable from Superannuation Adjustment Fund	14	
Accrued interest receivable	367,455	320,463
Cash	27,945	17,513
Total assets	11,663,947	10,181,458
LIABILITIES		
Accounts payable and accrued liabilities	9,876	6,872
Payable to school boards, net	3,553	707
Payable to Superannuation Adjustment Fund		299
Total liabilities	13,429	7,878
Net assets available for benefits (note 4)	$11,650,518	$10,173,580

Approved by

Chairman

Director

Teachers' Superannuation Fund

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 1987
(in thousands)

	1987	1986
Interest income		
Investments	$ 1,166,105	$ 1,022,049
Payments for additional credit in the Fund and school board contributions	9,981	10,343
	1,176,086	1,032,392
Contributions		
By contributors employed in education by		
School boards	285,480	266,870
Designated private schools or organizations	4,822	5,146
For credit in the Fund	5,876	6,203
Matching contributions		
Province of Ontario including interest of $43,761 ($44,443 in 1986)	309,786	294,338
Designated private schools or organizations	4,822	5,146
	610,786	577,703
Repayments of refunds and interest	6,431	5,719
Transfers from other pension funds including interest	6,144	3,763
	623,361	587,185
Total revenue	1,799,447	1,619,577
Benefits paid	475,707	397,058
Less recovery from:		
Province of Ontario		
Minimum pension and escalation subsidies for certain contributors	12,406	12,952
Escalation of pensions of contributors who did not contribute to Superannuation Adjustment Fund	100,315	91,486
Low pension subsidy	2,801	
Superannuation Adjustment Fund	60,745	50,281
	176,267	154,719
Net benefits paid	299,440	242,339
Refunds and transfers		
Refunds of contributions and interest	8,637	8,471
Transfers to other pension plans including interest	4,042	12,281
	12,679	20,752
Administration expenditures	10,390	6,965
Total expenditures	322,509	270,056
Net increase in net assets available for benefits	1,476,938	1,349,521
Net assets available for benefits at beginning of year	10,173,580	8,824,059
Net assets available for benefits at end of year (note 4)	$11,650,518	$10,173,580

Teachers' Superannuation Fund

STATEMENT OF LONG TERM INVESTMENTS

Province of Ontario debentures

as at December 31, 1987
(in thousands)

Maturity Date	Interest Rate (%)	1987 Principal	1987 %	1986 Principal	1986 %
1987	6.00 – 6.99	$		$ 176,000	1.86
1992-1994	6.00 – 6.99	454,500	4.17	454,500	4.80
	8.00 – 8.99	195,000	1.79	195,000	2.06
		649,500	5.96	649,500	6.86
1995-1997	[illegible] – 7.99	110,000	1.01	110,000	1.16
	8.00 – 8.99	172,000	1.58	172,000	1.82
	10.00 – 10.99	197,500	1.81	197,500	2.08
		479,500	4.40	479,500	5.06
1998-2000	7.00 – 7.99	9,500	0.09	9,500	0.10
	8.00 – 8.99	286,100	2.63	286,100	3.02
	9.00 – 9.99	1,026,000	9.42	1,026,000	10.84
	11.00 – 11.99	273,000	2.50	273,000	2.88
		1,594,600	14.64	1,594,600	16.84
2001-2003	9.00 – 9.99	488,000	4.48	488,000	5.15
	10.00 – 10.99	334,500	3.07	334,500	3.53
	11.00 – 11.99	296,000	2.72	296,000	3.13
	12.00 – 12.99	230,000	2.11	230,000	2.43
	13.00 – 13.99	315,000	2.89	315,000	3.33
		1,663,500	15.27	1,663,500	17.57
2004-2006	10.00 – 10.99	465,000	4.27	465,000	4.91
	11.00 – 11.99	490,000	4.50	490,000	5.17
	12.00 – 12.99	1,396,000	12.82	1,396,000	14.74
	13.00 – 13.99	460,000	4.22	460,000	4.86
	14.00 – 14.99	335,000	3.07	335,000	3.54
		3,146,000	28.88	3,146,000	33.22
2007-2009	10.00 – 10.99	750,000	6.89	305,000	3.22
	11.00 – 11.99	1,105,000	10.14	510,000	5.39
	15.00 – 15.99	945,000	8.68	945,000	9.98
		2,800,000	25.71	1,760,000	18.59
2010	10.00 – 10.99	560,000	5.14		
		$10,893,100	100.00	$9,469,100	100.00

Teachers' Superannuation Fund

STATEMENT OF ADMINISTRATION EXPENDITURES

for the year ended December 31, 1987
(in thousands)

	1987	1986
Salaries and benefits	$ 5,244	$3,971
Communications consulting services	362	121
Data processing services	304	255
Postage, distribution and advertising	300	191
Printing and stationery	256	269
Office rental	242	121
Purchase of computer equipment	184	546
Publications and external communications	175	98
Actuarial services	173	100
Repairs and maintenance	155	113
Telecommunications	131	121
Equipment purchases	100	73
Legal fees	91	114
Equipment rental	90	158
Consulting services	87	68
Audit fees	72	60
Commissioners' remuneration	55	40
Bank services	53	54
Training and development	50	42
Computerized accounting project	49	184
Utilities	47	44
Translation services	39	36
Travel – staff	37	35
– Commissioners	35	43
Design consulting fees	30	55
Other	30	16
Medical fees	11	12
Insurance	10	13
Vehicle purchase		12
	8,412	6,965
Relocation costs		
Leasehold improvements	1,694	
Professional services	240	
Supplies and equipment	44	
	1,978	
	$10,390	$6,965

NOTES TO FINANCIAL STATEMENTS

for the year ended December 31, 1987

1. DESCRIPTION OF THE PLAN

The following brief description of the Teachers' Superannuation pension plan (the Plan) is provided for general information purposes only. For more complete information reference should be made to the Teachers' Superannuation Act, 1983 (the Act).

(a) General

The Plan is a contributory defined benefit pension plan of the Province of Ontario and is mandatory for persons who satisfy eligibility requirements provided in the Act. Under this Plan contributions are made by persons employed in education (contributors), certain boards and organizations and the Province of Ontario.

(b) Funding Policy

The Pension Benefits Act of Ontario requires that the Ontario Government, acting as the Plan sponsor, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of a triennial actuarial valuation.

(c) Service Pensions

A service pension is available based on credit in the Fund, best five year average salary and age of the contributor. A 90 factor (age and service) provides an unreduced pension at any age. An early retirement service pension is available from age 55. Reduction factors which generally apply for early retirement pensions have been suspended for retirements in the period June 1986 to August 1989 inclusive. In addition, a 35 year service factor is available to provide an unreduced pension at any age for retirements in the period June 1987 to August 1990 inclusive.

(d) Disability Pensions

A disability pension is available at any age with a minimum of 10 years credit. A total disability pension is paid where the contributor is determined by the Teachers' Superannuation Commission (the Commission) to be incapable of further earning a livelihood. A partial disability pension is paid where the contributor is determined by the Commission to be totally disabled from further employment in education only.

(e) Survivor Pensions

A survivor pension is paid to a spouse, as defined in the Family Law Act, a child, or a named dependant of a contributor who has a minimum of 10 years credit.

1. DESCRIPTION OF THE PLAN (Continued)

(f) Death Refunds

A death refund is payable to the estate of a contributor or a pensioner when the individual's contributions plus interest exceed the pension(s) paid plus interest.

(g) Withdrawal Refunds

Upon application and subject to the lock-in provisions, withdrawal refunds, with interest on the contributions, are payable where a contributor ceases to be employed in education.

(h) Income Taxes

The Teachers' Superannuation Fund (the Fund) is a Registered Pension Trust as defined by the Income Tax Act and therefore is not subject to income tax.

(i) Superannuation Adjustment Fund

The Superannuation Adjustment Fund is a contributory fund set up under the Superannuation Adjustment Benefits Act to provide cost-of-living escalations to pensioners under the Teachers' Superannuation Act. The Teachers' Superannuation Commission administers the collection of contributions and the payment of benefits for the Superannuation Adjustment Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The statements present the financial position of the Fund and have been prepared in accordance with generally accepted accounting principles except as indicated under the basis of accounting. They are prepared to assist plan participants in reviewing the activities of the Fund for the fiscal period.

The financial statements do not purport to reflect the financial status of the plan if terminated on any valuation date nor do they reflect the funding requirements of the Plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting

i) Revenue

Contributions from contributors as well as matching contributions from designated private schools or organizations are recorded in the year in which they are received.

The matching contributions from the Province are recorded as an amount equal to the contributions of the contributors including payments for credit in the Fund where applicable, for the year preceding the current year. Interest is recorded on this amount for the nineteen month period ended December 31 of the current year in accordance with Section 6 of the Teachers' Superannuation Act, 1983.

Special payments from the Province are recorded in the year in which they are received.

ii) Expenditures

Capital expenditures, including expenditures for real property, are reflected as administration expenditures in the statement of changes in net assets available for benefits in accordance with the Act.

Future benefits to current contributors and pensioners, refunds, and transfers are recorded in the year in which payments are made. However, provisions for such amounts are included in the determination of the actuarial liabilities.

iii) Investments

Province of Ontario debentures

Maturing debentures and other surplus funds are used to purchase Province of Ontario debentures in accordance with Section 72 of the Act. Province of Ontario debentures are stated at cost. These investments are not valued at their current market value as they are required to be held to the maturity of the debenture. Accordingly, increases or decreases in current value will not be realized.

Short term

Short term investments are stated at cost which approximates market value.

3. PENSION BENEFITS ACT, 1987

The Pension Benefits Act, 1987 introduced new minimum standards for all pension plans registered in Ontario. The Plan must be administered in accordance with the Pension Benefits Act, 1987 and its regulations, effective January 1, 1988. It is expected that the provisions of the Teachers' Superannuation Act, 1983, will be amended, as required, to conform with the provisions of the Pension Benefits Act, 1987.

4. NET ASSETS AVAILABLE FOR BENEFITS

The adequacy of the net assets available for benefits is determined by an actuarial valuation at least once each three years. The latest actuarial valuation available for filing with the Pension Commission of Ontario was as at December 31, 1986.

The application of the Pension Benefits Act, 1987, described in note 3, may increase benefits paid in certain circumstances. The impact of these changes on the accrued Plan benefits is not reflected in this note nor will it be known prior to the completion of a future actuarial review.

The actuarial liabilities of the plan are determined by applying actuarial assumptions to project the amount and timing of future benefits and refunds together with teacher and matching contributions, and then discounting those projected benefits and contributions to reflect the time value of money between the valuation date and the expected dates of payment.

In previous actuarial valuations, an assumed long-term interest rate was used to compute the actuarial value of both the assets and the liabilities of the Fund. In this valuation, the actuarial value of assets was taken to be their book value, and the discount factors used to compute the actuarial liabilities were based on the stream of interest rates that are expected to be earned by the Fund in future years. The effect of this change in technique was to reduce the actuarial value of the assets and the actuarial value of the liabilities by approximately the same proportion.

The assumed investment earnings and general salary increase rates used in the actuarial valuation were:

	Assumed Interest Rate on Debenture Placements in the year	General Salary Increase Rate
	%	%
1987	10.8	5.0
1988	9.6	5.0
1989	8.3	5.5
1990 and later	7.0	6.0

4. NET ASSETS AVAILABLE FOR BENEFITS (Continued)

The actuarial valuation at December 31, 1986 revealed the following:

		(in thousands)
Actuarial assets		
Net assets available for benefits at book value		$10,174,000
Contributions receivable from Province		290,000
Other		74,000
Actuarial assets		10,538,000
Actuarial liabilities		
Present pensioners		2,071,000
Active teachers – present value of benefits	$13,302,000	
– present value of 2x teacher contributions	(5,608,000)	7,694,000
Inactive teachers		242,000
Other		70,000
Actuarial liabilities		10,077,000
Surplus at December 31, 1986		$ 461,000

Since the actuarial valuation indicated that a surplus existed at December 31, 1986, special funding payments are not required.

For more complete information, reference should be made to the actuarial report at December 31, 1986.

5. CONTINGENCY

Claims against the Fund exist on account of corrective steps taken in September 1986 in order to conform to a legal interpretation of the Act. These steps have resulted in the reduction of approximately 1500 pensions on a prospective basis. The outcome of these claims cannot be reasonably determined at this time. Accordingly, no provision has been made in the financial statements. Settlement, if any, will be recorded in the year of resolution of the claims.

6. COMMITMENTS

The Fund has committed to expenditures during 1988 of $4.2 million for office relocation including leasehold improvements, supplies and equipment, and professional services.

The Fund is also committed under a lease for new premises to the following minimum lease payments:

	(in thousands)
1988	$ 680
1989	1,344
1990	1,344
1991	1,344
1992	1,344
1993 to 1997	8,954
	$15,010

7. REPORTS ON PUBLIC SECTOR PENSION ISSUES

Proposals on public sector pension issues have been made by the Rowan Task Force Report on The Investment of Public Sector Pension Funds and the Coward Report on The Financing of Benefits under the Superannuation Adjustment Benefits Act. These reports recommend that the indexation funds be merged with the basic public sector pension funds including the Teachers' Superannuation Fund, that funding arrangements be changed, and that assets be gradually invested in market instruments. The proposals are currently under review by the Province of Ontario.

Teachers' Superannuation Commission

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

as at December 31
(in thousands)

	1987	1986	1985	1984	1983
Revenue					
Interest	**$ 1,176,086**	$ 1,032,392	$ 894,282	$ 753,331	$ 623,362
Contributions					
Contributors	**296,178**	278,219	261,194	240,979	197,891
Matching	**314,608**	299,484	263,553	235,747	194,988
	610,786	577,703	524,747	476,726	392,879
Unfunded Liability			39,098	39,098	39,098
Other	**12,575**	9,482	7,881	5,388	(1,754)
	1,799,447	1,619,577	1,466,008	1,274,543	1,053,585
Expenditure					
Net benefits paid	**299,440**	242,339	202,479	172,323	151,175
Administration expenditures	**10,390**	6,965	5,049	4,387	4,074
Other	**12,679**	20,752	12,591	8,757	9,623
	322,509	270,056	220,119	185,467	164,872
Excess of revenue over expenditure	**$ 1,476,938**	$ 1,349,521	$1,245,889	$1,089,076	$ 888,713
Net assets					
Investments	**$10,958,747**	$ 9,548,198	$8,258,676	$7,110,619	$6,088,499
Cash and receivables	**705,200**	633,260	575,130	473,986	409,029
Liabilities	**(13,429)**	(7,878)	(9,747)	(6,435)	(8,434)
	$11,650,518	$10,173,580	$8,824,059	$7,578,170	$6,489,094
Financial statistics					
Rate of return on investments (1)	**11.4%**	11.5%	11.5%	11.3%	11.0%
Percentage of 1982					
Net assets	**208%**	182%	158%	135%	116%
Administration expenditures	**280%**	188%	136%	118%	110%

(1) Based on average investments during year.

REVENUE AND EXPENDITURE

Year ended December 31, 1987

Revenue

(000's)

Interest	Matching Contributions	Contributions by Contributors	Other	Total Revenue
$1,176,086 – 65.36%	$314,608 – 17.48%	$296,178 – 16.46%	$12,575 – .70%	$1,799,447 – 100%

Expenditure

(000's)

Excess of Revenue Over Expenditure	Net Pension Expenditure	Other	Total Revenue
$1,476,938 – 82.08%	$299,440 – 16.64%	$23,069 – 1.28%	$1,799,447 – 100%

Teachers' Superannuation Commission

SUMMARY OF SELECTED DATA

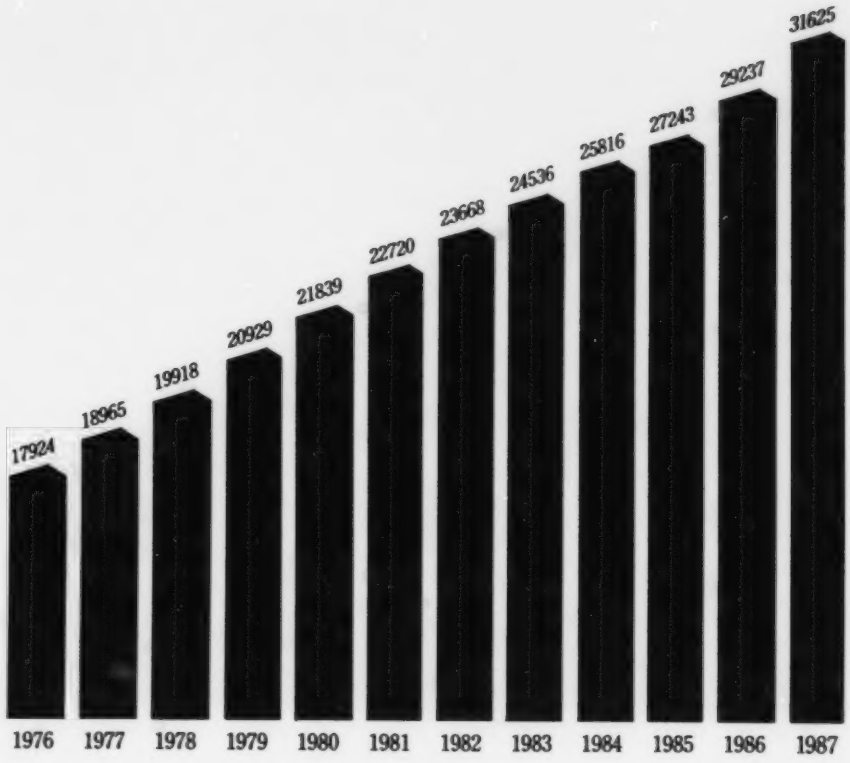
for the Calendar Year

	1987	1986	1985	1984	1983
Active contributors					
Full-time	(1)	112,401	109,721	107,453	106,871
Part-time	(1)	8,540	9,270	9,523	9,136
Casual	(1)	19,698	19,629	19,656	18,602
Total	(1)	140,639	138,620	136,632	134,609
Active pensioners					
Number by type of pension					
Unreduced	13,959	13,248	12,428	11,742	11,210
Reduced	12,233	10,730	9,779	9,278	8,947
Disability					
Full	831	832	830	809	803
Partial	826	831	838	813	791
Survivor	3,776	3,596	3,368	3,174	2,785
Total	31,625	29,237	27,243	25,816	24,536
Average age at inception of pension	60.49	60.75	60.92	(1)	(1)
Average years on pension	9.27	9.45	9.60	(1)	(1)
Average pension (2)					
Unreduced	$23,006	21,251	19,481	17,760	15,887
Reduced	$10,525	8,551	7,142	6,456	5,798
Disability					
Full	$11,220	10,066	9,345	8,500	7,732
Partial	$ 9,352	8,450	7,914	7,194	6,454
Survivor	$ 8,058	7,350	6,779	6,238	5,792
Overall	$15,727	14,198	12,817	11,658	10,490

(1) Data not available
(2) Total pension including cost-of-living escalation and subsidies not funded by Teachers' Superannuation Fund.

PENSION REGISTER

Year ended December 31



Teachers' Superannuation Commission

SCHEDULE OF ADMINISTRATION EXPENDITURES

for the year ended December 31
(in thousands)

	1987	1986	1985	1984	1983
Personnel services, including employee benefits					
– salaries	$ 4,588	$3,475	$2,969	$2,696	$2,479
– benefits	656	496	460	420	397
– training and development	50	42	23		
	5,294	4,013	3,452	3,116	2,876
Communications and Travel					
– travel expenses	37	35	35	32	60
– postage	300	191	159	122	115
– publications & external communications	175	98			
Purchase of Services					
– actuarial	173	100	62	62	101
– audit	72	60	47	34	46
– medical	11	12	17	12	12
– legal	91	114	35	20	16
– communications consulting	362	121	37		
– other professional services	117	123	10	20	14
– translation	39	36	24	21	11
– maintenance and repairs	155	113	104	67	65
– utilities	178	165	132	127	82
– office rental	242	121			
– rental, data processing/office equipment, other data centre services	394	413	301	378	381
– insurance	10	13	8	4	4
– Commissioners' costs	90	83	67	67	32
– computerized accounting project	49	184	183		
Supplies and Equipment					
– printing and stationery	256	269	268	155	141
– office furniture, equipment and vehicle	100	85	52	94	43
– computer equipment purchase	184	546			
Unclassified	83	70	56	56	75
Total Operating	8,412	6,965	5,049	4,387	4,074
Relocation					
– leasehold improvements	1,694				
– professional services	240				
– supplies and equipment	44				
Total Relocation	1,978				
TOTAL	$10,390	$6,965	$5,049	$4,387	$4,074

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February 19, 1988

ACTUARIES' OPINION

THE TEACHERS' SUPERANNUATION FUND

The Teachers' Superannuation Fund is financed by:

i) contributions by teachers at the rate specified in the Teachers' Superannuation Act;

ii) contributions by the Province and other specified employers that match the teachers' contributions; and

iii) special payments by the Province and other specified employers in amounts which, when added to the teacher and matching contributions, are sufficient to finance the benefits payable from the Fund and meet the funding requirements under the Ontario Pension Benefits Act.

We have made an actuarial valuation of the Fund as of December 31, 1986. On that date, the teacher and matching contributions were at the rate of 6.9% of salary less 1.8% of the part of a teacher's salary between the Year's Basic Exemption and the Year's Maximum Pensionable Earnings under the Canada Pension Plan. We determined in the actuarial valuation that special payments to the Fund were not required after December 31, 1986.

In our opinion, the actuarial value of the assets of the Fund on December 31, 1986 and of the future teacher and matching contributions exceeded the actuarial value of all benefit obligations under the Teachers' Superannuation Act with respect to both the past and future service of all active, inactive and retired teachers who began teaching at any date before December 31, 1986. Notwithstanding the foregoing opinion, emerging experience differing from the assumptions that we used will result in gains or losses that will be revealed in future valuations.

Various amendments will be made to the Teachers' Superannuation Act to bring it into compliance with the Pension Benefits Act, 1987. The effect of those amendments will be described in a future actuarial report.

The above results do not take account of the escalation benefits and the contributions by teachers, the Province and other specified employers that are provided under the Superannuation Adjustment Benefits Act.

In our opinion, the data on which the above valuation results are based are sufficient and reliable for the purpose of the valuation, the assumptions used are adequate and appropriate for the purpose of the valuation, and the methods employed are consistent with sound actuarial principles.

M. D. R. Brown P F Flanagan

M. David R. Brown, F.C.I.A. Patrick F. Flanagan, F.C.I.A.

HIGHLIGHTS OF ACTUARIAL REPORT

The actuaries' opinion and note 4 to the financial statements are based on the actuarial valuation of the Fund as of December 31, 1986. The last previous triennial actuarial valuation of the Fund was conducted as of December 31, 1984.

The December 31, 1986 valuation results are not directly comparable with those of previous valuations because of a change in actuarial methodology. Under the previous methodology, the present values of both the assets and liabilities were determined by discounting future cash flows at the assumed long-term interest rate of 7%. On the asset side, the result was to increase the actuarial value of the assets substantially above the book value reported in the financial statements of the Fund.

Under the new methodology, the assets are carried at book value and the liabilities are determined by using "streamed" interest rates which reflect both the current high level of interest rates being earned on the Fund's assets and the projected long-term rates to be earned on future investments.

The change in methodology reduces both the assets and liabilities by roughly one-third. The actuarial surplus is similarly reduced. It is important to recognize that this reduction in the absolute amount of surplus does not indicate a deterioration in the funded status of the plan. The ratio of surplus to actuarial liabilities is approximately the same under both methods of measurement.

The process followed in this valuation included a review of all actuarial assumptions and methods. In addition to the change in methodology described above, the following decisions were made as a result of that review:

- The long-term interest and salary projection assumptions were the same as those used in the previous valuation.
- The short-term interest and salary projection assumptions were updated to reflect recent experience.
- Some of the demographic assumptions were modified to reflect recent experience. In particular, the assumed rates of early retirement were increased to reflect, in part the continuing trend of recent experience.

HIGHLIGHTS OF ACTUARIAL REPORT (Continued)

The projected cash flow and fund balance is presented on the following page. In the projections, the same data and actuarial assumptions were used as those in the valuation of the Fund as of December 31, 1986. It was also assumed that:

(i) the distribution of new entrants by class, age, sex and salary would be the same as that for teachers who had less than one year of qualifying service in the fund as of December 31, 1986, except that the assumed starting salaries would be increased each year in accordance with the assumed rates of general salary increase; and

(ii) the contribution and benefit rates would be those as described in the Teachers' Superannuation Act, 1983.

(iii) the number of active teachers would remain at the December 31, 1986 level.

Given the number of assumptions required and the volatility of the underlying variables, it is not possible to predict the future cash flow of the Fund very accurately. However, the projections are most useful for two purposes:

(1) To identify trends such as changes in the relative size of contributions and interest payments; and
(2) To provide some idea, however imperfect, of the direction and magnitude of changes in the net cash flow.

PROJECTED CASH FLOW AND FUND BALANCE

(all figures in $millions)

Year	Teachers' Contributions	Matching Contributions by The Province	Matching Contributions by Other Employers	Special Payments	Interest	Total Inflow	Benefit Payments	Administrative Expenses	Total Outflow	Net Cash Flow	Year-End Fund Balance
	$	$	$	$	$	$	$	$	$	$	$
1987	252	310	5	–	1,180	1,747	292	6	298	1,449	11,987
1988	262	289	5	–	1,329	1,885	337	7	344	1,541	13,528
1989	272	296	5	–	1,469	2,042	401	7	408	1,634	15,162
1990	284	302	6	–	1,595	2,187	458	7	465	1,722	16,884
1991	300	309	6	–	1,717	2,332	491	8	499	1,833	18,717
1992	317	327	6	–	1,859	2,509	528	8	536	1,973	20,690
1993	334	345	7	–	1,990	2,676	574	8	582	2,094	22,784
1994	351	364	7	–	2,137	2,859	633	9	642	2,217	25,001
1995	367	382	7	–	2,295	3,051	707	9	716	2,335	27,336
1996	383	400	8	–	2,455	3,246	797	10	807	2,439	29,775

WORKSHOP SCHEDULE

1988-1990

The workshops on retirement matters, sponsored by the affiliates of the Ontario Teachers' Federation, will be held during the school years 1988-1989 and 1989-1990 at the locations listed below. At that time, anyone may submit a request to the local affiliate for a personal interview with a representative of the Teachers' Superannuation Commission.

1988-89		1989-90	
September 30-October 1	St. Catharines	October 6-7	Sudbury
October 14-15	Goderich	October 20-21	Bracebridge
November 4-5	Elliot Lake	November 10-11	Renfrew
November 18-19	Chatham	November 24-25	Cambridge
December 2-3	Hamilton	December 8-9	Mississauga
January 27-28	Metro-Toronto	January 26-27	Metro-North York
February 10-11	Ottawa	February 9-10	Windsor
February 24-25	London	March 2-3	St. Thomas
March 31-April 1	Belleville	March 23-24	Kingston
April 21-22	Kapuskasing	April 20-21	Kirkland Lake
May 12-13	Thunder Bay	May 11-12	Kenora

Membership of the Commission

During 1987, Ms. Josephine Stemerowicz resigned from the Commission after 8 years of service. She was replaced by Ms. Susan Hildreth starting September 1987.

Acknowledgements

The Commission acknowledges the advice and assistance which has been received throughout the year from its advisors.

Eckler Partners Ltd. – Actuary
Thorne Ernst & Whinney – Chartered Accountants
Dr. B.W. Vale – Medical Referee

Communications

This Annual Report has been prepared by W.F. Morneau & Associates, Communications Consultants to the Commission. The Commission is interested in your comments on this publication and we would kindly ask you to send them to:

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The information contained in this Annual Report does not purport to describe the benefits of the Teachers' Superannuation Act in full detail. Should there be any discrepancies the Teachers' Superannuation Act and Regulation will apply. You can obtain a copy of it through your school or by writing to the Commission.